

Message Text

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ACTION EB-08

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FM AMEMBASSY NEW DELHI
TO /SECSTATE WASHDC 2465
INFO AMEMBASSY LONDON
AMEMBASSY KUALA LUMPUR
USMISSION GENEVA
AMCONSUL BOMBAY
AMCONSUL CALCUTTA
AMCONSUL MADRAS

UNCLAS NEW DELHI 9972

E.O. 11652: N/A

TAGS: ETRD IN

SUBJECT: GOI SUSPENDS EXPORTS OF NATURAL RUBBER

1. ON JUNE 24 THE GOI RUBBER BOARD IN COCHIN ISSUED AN OFFICIAL PRESS RELEASE CONTAINING MINISTRY OF COMMERCE ADVICE TO THE STATE TRADING CORPORATION TO IMMEDIATELY SUSPEND THE EXPORTS OF NATURAL RUBBER. (SYNTHETIC RUBBER IS NOT EXPORTED FROM INDIA.) THIS ORDER IS PRIMARILY DESIGNED TO BRING DOWN DOMESTIC RUBBER PRICES, WHICH HAVE RECENTLY ESCALATED. WE UNDERSTAND THAT THE GOI WILL REVIEW THE SITUATION IN JULY OR AUGUST 1978.

2. PRICES. THE GOI HAD FIXED STATUTORY MINIMUM PRICES TO PROTECT GROWERS INTERESTS. EFFECTIVE 6 AUGUST 1977 AND NOW VALID UNTIL AUGUST 1978, THESE PRICES RANGE FROM RS. 6,258 (DOLS736 AT DOL1.00 EQ RS. 8.50) PER MT FOR INFERIOR QUALITY (RMA5) TO RS. 6,550 PER MT FOR THE BEST INDIAN

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VARIETY (RMA1). ACTUAL DOMESTIC RUBBER PRICES IN THE LAST QUARTER OF IFY 1977-78 ENDING MARCH 31 WERE IN THE RANGE OF RS. 6,400 - 6,825. INTERNATIONAL PRICES WERE MARGINALLY HIGHER THAN THE DOMESTIC PRICES FOR VARIETIES COMPARABLE TO RMA1. DOMESTIC PRICES HAVE ESCALATED IN THE FIRST QUARTER OF THIS FISCAL YEAR. DURING THE WEEK ENDED 17 JUNE 1978, PRICES WERE AROUND RS. 10,000 PER MT

FOR THE BEST GRADE, OVER 50 PERCENT HIGHER THAN THE STATUTORY PRICE AND MORE THAN 40 PERCENT OVER THE PRE-APRIL 1978 MARKET PRICE. THIS PRICE RISE IS ATTRIBUTED TO A RISE IN DOMESTIC CONSUMPTION (5.3 PERCENT IN 1977-78) AND DECLINES IN PRODUCTION (1.8 PERCENT IN 1977-78 TO 146,987 MT) AND STOCKS (17.1 PERCENT AT END 1977-78).

3. FOREIGN TRADE. SINCE APRIL 1973, IMPORTS OF NATURAL RUBBER HAVE BEEN BANNED, AND UNTIL 1975-76 INDIA EXPORTED ONLY INSIGNIFICANT QUANTITIES. IN 1977-78 INDIAN EXPORTS WERE 11,078 MT (VALUE: RS. 73 MILLION), MAINLY TO JAPAN AND SINGAPORE, COMPARED TO 12,296 MT (VALUE: RS. 83 MILLION) IN 1976-77. INDIA CONTINUES TO BE AN IMPORTER OF SYNTHETIC RUBBER.

4. INDUSTRY VIEWPOINT. A DELEGATION OF THE ALL-INDIA RUBBER INDUSTRIES ASSOCIATION MET WITH INDIAN COMMERCE MINISTER DHARIA AT END MAY AND ASKED FOR A BAN ON RUBBER EXPORTS, A PRICE CEILING AND IMPORTS IN REASONABLE QUANTITIES (AT LEAST THOSE GRADES THAT ARE NOT DOMESTICALLY PRODUCED). ACCORDING TO THESE INDUSTRY SOURCES, STOCKS OF RUBBER ARE ALARMING LOW. ACCORDING TO OFFICIAL FIGURES OF THE RUBBER BOARD, TOTAL STOCKS OF NATURAL RUBBER (ALMOST EVENLY HELD BY DEALERS, ESTATES AND MANUFACTURERS) WERE 44,027 MT AT THE END OF IFY 1977-78. THESE STOCKS WERE EQUIVALENT TO 3.6 UNCLASSIFIED

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MONTHS OF AVERAGE CONSUMPTION IN 1977-78, COMPARED TO 4.6 MONTHS IN 1976-77. HOWEVER, THERE IS DOUBT ABOUT THE RELIABILITY OF THE STOCKS FIGURES OF THE RUBBER BOARD. INDUSTRY REPRESENTATIVES ALSO FEEL THAT A LARGE NUMBER OF RUBBER UNITS MIGHT CLOSE DOWN, MANY OF WHICH ARE NOW WORKING ONLY AT 40 PERCENT OF CAPACITY. (90 PERCENT OF THE 2000 ODD UNITS ARE IN THE SMALL SCALE SECTOR). MOST OF THE CURRENT PRODUCTION OF RUBBER GOODS IS FOR PRE-APRIL CONTRACTED PRICES WHICH, AT CURRENT DOMESTIC PRICE LEVELS OF NATURAL RUBBER, WOULD EITHER AMOUNT TO A SUBSTANTIAL LOSS TO THE INDUSTRY OR, IF PASSED ON, WOULD RAISE CONSUMER PRICES OF RUBBER GOODS, ESPECIALLY TIRES.

BLOOD

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